



MARKET ASSESSMENT REPORT FOR PROGRAM

**IMPROVING FOOD ACCESS AND NUTRITION FOR VULNERABLE DISPLACED AND HOST POPULATIONS
IN YOBE STATE (DAMATURU, POTISKUM & FUNE)**

YOBE STATE, NIGERIA

January 2015

Assessment Summary

Type of Shock	Internal Conflict
Date of Assessment	22-23 January 2015
Affected Areas Assessed	Damaturu, Potiskum and Fune Local Government Areas- Yobe State
Affected Population within Affected Area (Number of Households and people targeted)	3000 Households or 21000 beneficiaries
Average Household Size	7
Location of affected population	IDPs or Stationery in homes
Markets Assessed	Damaturu, Potiskum and Damagun Markets
Number of traders and market representatives included in the assessment	Damaturu (15), Potiskum (12), Fune (13)
Assessment Team Members	Cash Programme Manager 3 FSL Supervisors 6 Enumerators

1. Introductions

Analysis of markets is an important aspect in determining the most appropriate humanitarian intervention. In line with the Food For Peace Principle of doing no harm in providing food or other assistance resources, Action Against Hunger FFP team carried out an assessment to have a thorough understanding of the market conditions in the three Local Government Areas (LGA) which were targeted for unconditional cash transfer assistance in Yobe State.

2. Overall Aim of the Assessment

To evaluate the likely impacts of the proposed intervention on the commodity market system in Damaturu, Potiskum and Fune Local Government Areas in Yobe State.

The specific objectives of the assessment were to:

- To establish the current market functionality in each of the three LGAs given the current context.
- To gauge the level of competition in the markets
- To ascertain general availability of basic food items on the markets
- To understand the various strategies being adopted by the traders against the background of increasing security concerns.

3. Scope and Methodology of the Assessment

This was a Rapid Assessment for Markets designed to provide a quick and basic understanding of key markets in Yobe in the aftermath of a protracted conflict. Its main focus was on key markets for commodities which are needed including the financial services available to the shock affected households. It was conducted in three main markets in the LGAs that is Damaturu, Potiskum and Fune markets. These markets were identified to be the major sources of primary staples which are normally

consumed by households in the three LGAs. The staple commodities include sorghum, millet, maize, beans and small livestock. The assessment had a primary focus on determining how well the market system worked before the crisis, the extent to which the market was affected by crisis and how the market is likely to respond to the proposed intervention.

Methods of collecting information included a review of available information through the consultation of stakeholders familiar with the context such as the Yobe State Emergency Management Agency, Local Government Representatives and Agriculture extension officers. This information served as a guide to the field team on which markets to visit and on which commodities to focus on. A review of secondary data, especially the Famine Early Warning Systems Network (FEWS NET) Market Reports, was also conducted.

Three Food Security Supervisors and six Enumerators visited the three market places to collect information on commodities from key informants and traders based in the major markets. Thus three focus group discussions were conducted with the key informants using interview forms (Annex 1).

Procurement Process and Trader Selection

Based on the Logistics and Administration Guidelines for Cash based Interventions in a reimbursement transfer process no purchase file shall be applied in the trader selection process. Therefore, the below steps have been followed to engage with traders and conduct the selection:

- **Definition of Trader Selection Criteria**

The following criteria have been identified during this project:

- Liquidity (Financial Capital more than 1 Million to start up the activity.)*
- Willingness to disburse and get reimbursed (1st meeting)
- Willingness to participate in the project (after 2nd meeting) and sign MOU.
- Commission/ Interest rate
- Timing for reimbursement
- Bank Account
- Enough Storage capacity
- If there is less Staff in shop as per capacity and business increase staff.
- Open Shop form 9 Am till 6 Pm so that HH can easily purchase Commodities.
- Shop has daily used Food Items, Fresh Fruit, Vegetable, Fish, Chicken etc or can out source.
- Shop has Electricity in the Shop.
- Possibility of creating artificial shortage and monopoly with the ACF contract
- Willing to learn how to handle device given by ACF.
- Knows basic accounting to represent Invoice for payment.
- Willing to respect ACF Code of conduct and ACF Principles.
- Willing to accommodate ACF HH or gave them preference. (Let them bargain on prices)
- Will not sell expired or damaged items in their shop and to ACFHH.
- Have respect and acceptable with in community.
- Good reputation in the Market.
- Good business relation with retailers.

- **Forming of Trader Evaluation Committee:**
The evaluation has been conducted by following ACF staff members
 - TECHNICAL: Interim FSL Coordinator
 - ADMINISTRATION: Head of Base, Damaturu
 - PROGRAMMES: Field Coordinator
 - LOGISTICS: Base Log Assistant
- **Trader Selection with an Assessment table**
 - After negotiations with traders Assessment tables have been created for each location.
See Annex 1, Annex 2, Annex 3 attached
- **MOU with selected vendors**
To conclude the logistics process, once participating traders have been selected, a contract has been signed with each of them, including the following points:
 - Reimbursement process (conditions and payment timetables)
 - Commission rates
 - Tasks/ responsibilities of each partner
 - The quality of the commodity sold

4. Key Findings

I. Market Operations

Most markets in conflict areas in North East Nigeria are closed or operating at reduced levels as a result of attacks on markets, limited supplies of locally produced commodities, as well as limited physical access to markets by traders from outside the region (Fig 1).

The market assessment conducted reaffirms this point of view as market operations across the three Local Government Areas were reported to have scaled down compared to same time last year. In Potiskum Market, it is estimated that there was a 70 percent decrease in the number of market participants while in Damaturu and Damagun, a 60 and 50 percent decline was reported respectively. Recently, though, in Damaturu there has been a notable surge of market traders (about 10 percent) within the last two months. Key informants in the FGD attributed this relative improvement in market operations in Damaturu to the influx of internally displaced persons into Damaturu town which is deemed to be safer than the other towns in surrounding LGAS

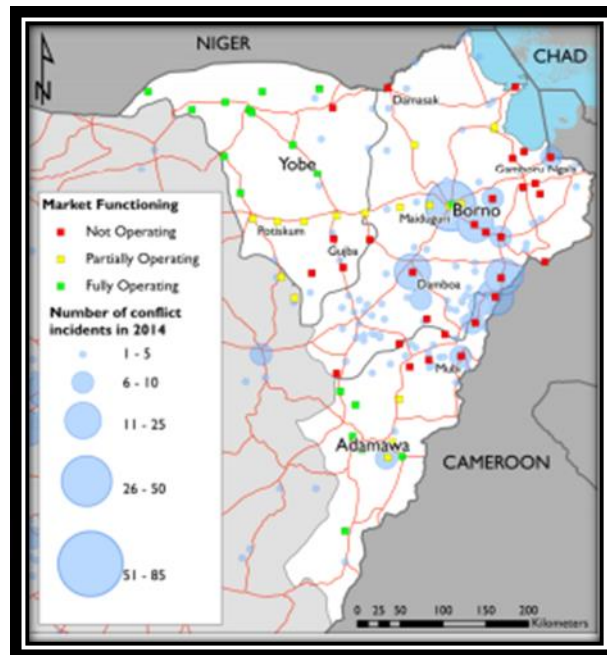


Fig 1: Markets in North Eastern Nigeria: FEWS NET

In the Damaturu Market, Sundays and Fridays have been designated as market days and it is open for 13 business hours while the Damagun and Potiskum Markets Sundays have only been designated as market days for nine and 10 hours respectively. All the markets operate throughout the week and are always accessible. The only exceptions when the markets are not accessible during the week is when the government imposes a curfew or restrictions on vehicle movement usually after an insurgency attack. This status quo is expected to prevail in the short to medium term as traders highlighted that there was no reason to believe the situation will change.

II. Financial Services Availability and Access

Banking institutions and money agents were the major financial services providers noted especially in Potiskum. There were limited financial service providers owing to the unstable security situation. Banks and money agents are the major financial services providers noted in Potiskum and Damaturu. In Potiskum, three banks and 4 money agents were operational while 13 banks and four registered were operational in Damaturu at the time of the assessment. Generally, the minimum requirements for opening a bank account are not strict as in some cases only passport photographs and no ID card was required. It was also noted that for both Unity Bank and Keystone Bank it was feasible to open an average of 500 bank accounts within five working days. There was neither a bank nor a registered money agent in Fune. Households in Fune can however access banking services in Potiskum as the distance from Damagun, Fune LGA headquarters to Potiskum is 30KM (which cost 200 Naira) and 70KM to Damaturu (300 Naira)

Focus group discussions were conducted with representatives of traders and money agents in Damaturu (15), Potiskum (12) and Fune (13) to assess their level of preparedness to partner ACF in the cash and voucher programme.

Below is a summary of their feedback:

Damaturu

- 5 persons were willing to disburse and get reimbursed.
- Commission range: 3 people (10%), 1 person (13%) and 1 person (15%)
- Timing for reimbursement: 14 people are willing to bring documentation weekly and get reimbursed after 3-4 days, 1 person wants daily documentation and to be reimbursed next day.
- 8 persons wanted to get paid first before they pay out to BNF. They are not too keen on service fee commission %
- 11 persons do not have liquidity.

Potiskum

- 5 persons were willing to disburse and get reimbursed.
- Service fee/Commission range: 6% - 8%
- Timing for reimbursement: documentation submitted to ACF after 3days and reimbursement after 3 days
- 8 persons want to get paid first before they pay out to BNF. Service fee commission range 8%-10%.

Fune

- 6 persons are willing to give food items to beneficiaries and get reimbursed by ACF. In case of cash payout to some BNF, 1% service fee too small.
- Timing for reimbursement: they will submit documentation after three days and get reimbursed the next day.

In addition to the assessment of the availability of financial service providers. Observations were also made on mobile network coverage. The assessment revealed that Airtel and MTN were the major mobile networks with wide coverage in Potiskum and Damaturu. In Fune, only MTN has coverage and there is no coverage for Airtel.

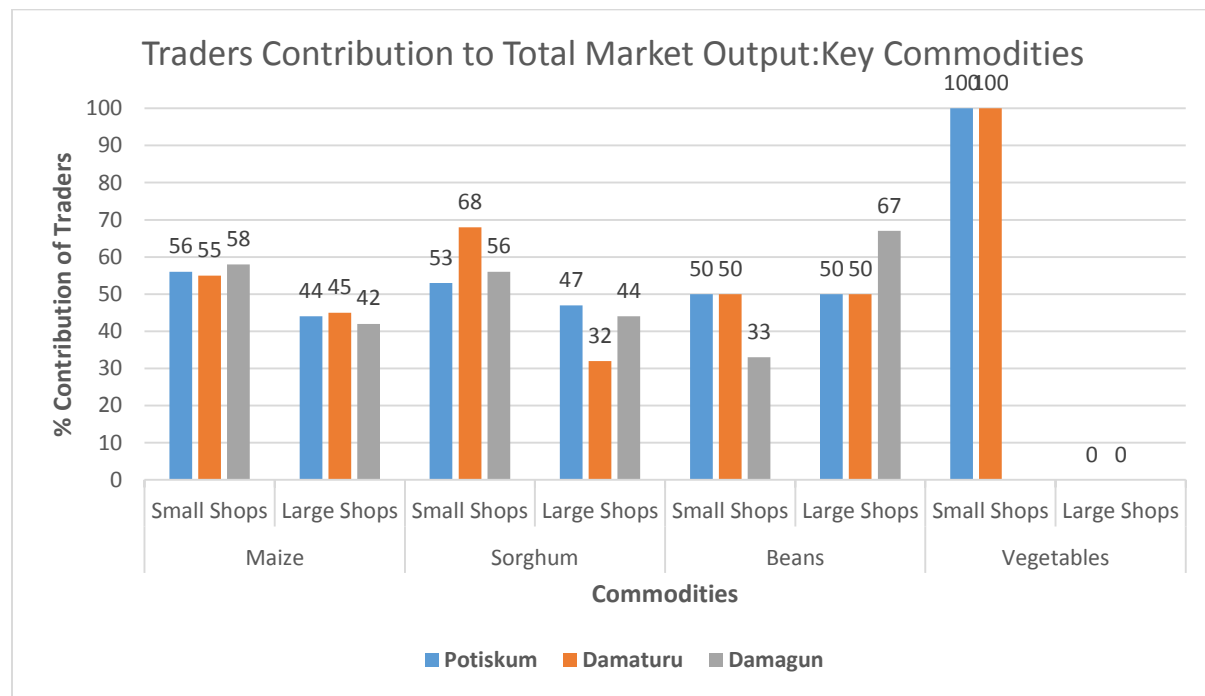
III. Competition

The total number of traders varied from Market to market. Damaturu had the largest number estimated at 25,000, while Potiskum had 10,000 and Damagun had 5000. These traders engage in various activities but for those who deal with key staples, Table 1, summarizes their total number and distribution across the respective Markets. Table 1: Number of Current Traders of key staples

LGA	Total No. of Maize Traders	Total No. of Sorghum Traders	Total No. of Beans Traders	Total No. of Livestock Traders
Potiskum	500	325	210	650
Damaturu	400	294	178	60
Damagun	115	33	120	170

Free competition was reported to be permissible only in the Potiskum and Damagun markets as there was no regulations that restrict healthy competition among traders. It was noted that traders were free to sell their goods as they wish and buyers were allowed to bargain for prices based on their preference. However at the Damaturu market it is not permissible for a trader to reduce product prices beyond an agreed threshold in order to lure customers, this actually attracts a fine.

Figure 1: Market Contribution of Traders



It is important to note that in all the markets, smaller traders contribute a significant proportion to the total weekly output (Figure 1). Thus opportunities for cooperation between large and smaller retailers can be explored.

IV. Availability

Food commodities are generally available in the markets although the markets do experience some seasonal shortages. As an example, beans is relatively scarce between March and April while vegetable shortages are experienced in January. Even though the commodities are generally available, it was also established that the supply of maize, millet and vegetables has been relatively subdued compared to same time last year. Apart from seasonality the relatively low supply of most food commodities has been attributed to poor agricultural productivity in the states because of insurgency attacks which disrupted the farming system. It was also noted that there was a general increase in demand for the

staple commodities in the market owing to the influx of IDPs from villages especially in Damaturu which is the state capital.

V. Accessibility/Market Integration

All the three markets are readily accessible by both buyers and sellers except when there is a declaration of curfew after an insurgency attack. Traders get their supplies from local and regional sources, that is neighboring states such as Kano and Jigawa for Potiskum Market and Kaduna, Taraba and Gombe for the Damagun Market. The only means of transporting goods to the markets is by road. The transportation of the goods has had some challenges which affected the smooth operation of the markets. As an example, there are more than 20 check points from Kano (regional source) to Potiskum. It was reported that, already some transporters are using this as a basis for increasing the cost of transportation which will eventually affect the prices of commodities in the markets. At the time of the assessment, it was noted that the recent strike by oil workers resulted in a scarcity and increase in petroleum pump price and eventually increased the transportation costs. To cushion themselves from such shocks on the market, traders have started to hoard some non-perishable commodities in bulk.

VI. Prices

Prices on the market are generally higher than normal as a result of the low supply of some seasonal products and low agricultural productivity. In the Damagun Market, prices of some food commodities were lower than normal, and this was attributed to the extensive out migration of residents and subsequent reduction in demand. Prices of some basic provisions and cosmetics have also increased due to the devaluation of the Naira in the recent past. Recently, the government of Nigeria has issued a directive to reduce the price of fuel by 10 percent and this is likely to impact positively on transportation cost and subsequently on the market prices

VII. Reactivity/Traders Strategy

Traders in all the markets indicated that they are able to provide extra supply in order to cope with any increase in demand as this will mean improved profits. In Potiskum Market traders, highlighted that they have several suppliers both locally and regionally and can increase their supply significantly (by at least 50 %) if there is an increase in demand. However, this may attract an increase in prices of between 1-5%. Although these major markets for key staples have been soft targets of insurgent attacks, the storage capabilities of most traders have not been severely affected. In fact, in Damagun and Potiskum for instance, the traders have an established central storage facility for preserving and storing their excess goods. In Damaturu the traders highlighted that they have a credit facility which allows them to get goods on credit and payback after selling them. Traders from the Damagun market indicated that a majority of them have the capacity to buy and stock commodities although their greatest fears was on the unrest caused by insurgencies.

VIII. Conclusions

Although market operations have been relatively subdued, key staple commodities are generally available in all the three monitored markets. In all the LGAs, market traders have the capacity to supply key commodities in sufficient quantities assuming the following conditions prevail:

- Global oil prices remain stable or are declining so as to minimize transport costs.
- The Nigerian currency does not lose value against the dollar and there is no increase in production cost from suppliers.
- The security situation improves in order to allow unrestricted movements of commodities as well as provide a safe operating environment.

The traders also have the capacity to increase their supply of commodities using their own resources and or existing credit facilities. But however prices for key commodity are expected to rise marginally due to the increase in demand. In this context, there is a potential to implement a cash and voucher based intervention but there is a need to develop mechanisms to closely monitor price movements and the general market conditions.

It is also important to note that only a few financial services such as banks and money agents were generally available in the State. In addition, these services were mainly accessible by civil servants and other elite members of the community. The vast majority of poor households have limited or no access to the existing financial services. Thus a financially inclusive type of cash based intervention which uses delivery mechanisms such as mobile banking, electronic vouchers through smart cards will certainly bring about desirable outcomes for the programme.

As the internal conflict scenario evolves, there is need to keep regular contact and interaction with key informants such as State Management Agency, Ministry of Agriculture, Ministry of Finance and Ministry of Commerce. It is critical to monitor how the market evolves through price monitoring and triangulation of monitoring findings with the FEWS NET monthly price watch together as well as the markets and trade report.

Annex 1

FOCUS GROUP DISCUSSION GUIDELINES – MARKET ASSESSMENT FOOD SECURITY PROGRAMME

BASE... ..

COUNTRY:

These are guidelines for focus-group discussion (FGD) to be conducted before the implementation of the programme. Questions should be adapted to the context. It should give a general view of the market situation. It will allow to cross-check the information given by individual interviews with traders and by discussions with key informants, the local authorities, other NGOs and the ACF staff. The group should be as representative¹ of the local market as possible (large and small traders, wholesalers and retailers, various activities). The group should not be too large (up to 15 persons) to be able to lead the discussion efficiently. Make sure to explain thoroughly the purpose of the interview and how it will be used by the agency, in order to have accurate and unbiased answers (as much as possible).

1. Name(s) of surveyor(s):

2. Date of FGD:

3. Name of the LGA / FGD location:

4. Estimated population in location:

Number of Households		Number of people	
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5. Number of people attending the FGD:

If possible, it may be interested to know which types of traders were attending (e.g. large or small traders, wholesalers or retailers)

MARKET OPERATION

This section addresses the issue of how well the market is operating in the area where the cash-based intervention is planned.

6. Is the market operating as usual (same number of traders, same quantity/quality of items, etc.), and if this is not the case, explain why?

7. Is the market considered a main one, a secondary one? Which other types of markets is this market in relation with (rural, urban, main, secondary)?

8. What are the market days /the business hours?

9. Is the market operating all year long? Are there some seasons/times when it is not operating or accessible? How people react to this?

(If the market is not always accessible or operating, explain when, why and how purchasers/traders react to this situation.)

10. Are there any reasons to believe the situation will change in the coming months? If yes, why?

COMPETITION

This section evaluates whether the market is competitive or not. Moreover, getting the number of traders present in the market before the start of the CBI can be used as baseline data to be compared to the post-distribution monitoring (to check the impact of the project on the market).

11. What is approximately the number of traders usually working at the market?

Business type	Number of large shops	Qty Sold Per Week (kg)	Nb of small or medium shops	Qty Sold Per Week (kg)
Maize				
Sorghum				
Beans				
Vegetables				
Cattle Traders				
Goat/Sheep Traders				

The table above is given as an indication: it can be interesting to get the number of traders depending on the activity and to divide between small and large traders. E.g. if the market is dominated by 2 large traders, this may indicate an oligopoly situation which has negative impact on prices.

12. Have these numbers varied meaningfully recently? Are these changes (if any) usual?

Try to get estimates and trend of the change (e.g. number of cattle traders decreased by 20%) and the reason(s) of any change.

13. Are there any regulations, laws or cultural habits restricting competition in the market? Precise which one and for which activity.

14. Is it difficult to open a business in the market? What are the administrative requirements to do so (if any)?

(Check for business regulation and to which extent it is enforced.)

AVAILABILITY

This section considers the supply side to check whether it may be an issue in the market (which will have an impact if cash is distributed to beneficiaries).

15. Is this market facing shortages or very low supply on a regular basis? If this is the case, for which items and at which time of the year?

(Assess market seasonality.)

16. Have basic items abnormally been in shortage recently? If so, which items?

17. What are the reasons for such supply shortages?

(The question is also linked to the price section below. Check for government restriction, bad agricultural production, impaired trade flows, seasonality, etc.)

18. What is the reaction of purchasers to these shortages? Of traders?

ACCESSIBILITY / MARKET INTEGRATION

This section considers how easily the market is reached and what could impair “normal” supply flows.

19. Is the market easily reached by purchasers and suppliers at all time? If not, precise when and why.

20. Where do local traders get their supply from?

(Assess the origin of basic items (supply routes): local, regional, national and international.)

21. How is supply transported to the market? Is it always feasible? Is it regular? If not, when and why?

(Check for means of transportation, regularity and conditions of infrastructures.)

(NB: Transportation issues are critical ones in market access and can be assessed separately (by going specifically to large carriers/taxi stations, etc.).

22. Has transportation been problematic recently? Precise.

(Check for transportation costs, fuel prices, government restrictions, road insecurity.)

23. How are prices affected by any change in transportation?

24. How do traders react to problems in transportation?

(E.g. Reduce quantities supplied, increase prices, stockpile items, etc.)

PRICES

This section is only meant to gauge traders' perception of market prices. A more detailed price monitoring should be conducted in parallel (with historic data as much as possible).

25. How would traders qualify current prices at the market? Is it “normal” or not?

(Check for acknowledged inflation, government regulation, abnormal situation, seasonality.)

26. If the situation is not normal, why?

(Check whether it is due to government regulations, shortages, insecurity, and monopoly.)

27. How does this impact business? How do traders react to the situation?

(E.g. Do traders have to abide by price changes? Do they have less customers / a lower activity.)

28. Are changes expected in the coming months?

REACTIVITY / TRADERS STRATEGY

This section evaluates how and to which extent traders would be able to react to increased demand in the market.

29. How do traders usually react when the number of customers varies during the year?

30. How fast can additional supply be brought in if demand increases? At which cost?

31. Will all traders be willing to get extra supply or not? Explain.

32. Will traders have sufficient financial and storage capacities to get extra supply? Explain.